Background: HJR R 687 (2013)

- Patron: Delegate John M. O’Bannon, III

- Study Mandate:
  - Identify factors considered to be the primary contributors to increasing health care costs
  - Report on promising policies, practices, and initiatives expected to help control health care costs while maintaining quality of care.
  - Review approaches undertaken in other states and countries to control health care costs, and
  - Examine the likely impact of federal Patient Protection and Affordable Care Act provisions on the cost of health care.
**HJR 687 Study Plan**

- **1st Presentation (May):**
  - Review primary contributors to increasing health care costs
  - Request JCHC member suggestions regarding:
    - Additional Issues to Analyze
    - Additional Questions to Address

- **2nd Presentation (October):**
  - Review policies that help control health care costs while maintaining quality of care,
  - Review approaches undertaken in other states and countries to control health care costs,
  - Examine PPACA impact on the cost of health care, and
  - Additional issues requested by members.

**U.S. and International Health Care**
Selected Countries Comparison Health Care Spending as a Percentage of GDP (2010)

Source: OECD Health Data Set 2012 Frequently Requested Data.

2012 Scanning and Imaging: CT Scan, Head

Health Care Systems Review:
**MRI Exams and Machines Per Capita (2009)**

<table>
<thead>
<tr>
<th>Country</th>
<th>MRI Exams per 1,000 population</th>
<th>MRI Machines per million population</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>5.9</td>
<td>97.7</td>
</tr>
<tr>
<td>U.K.</td>
<td>3.6</td>
<td>22.4</td>
</tr>
<tr>
<td>New Zealand</td>
<td>12.2</td>
<td>15.4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>7.6</td>
<td>22.2</td>
</tr>
<tr>
<td>Japan</td>
<td>22.4</td>
<td>40.2</td>
</tr>
<tr>
<td>Italy</td>
<td>57.5</td>
<td>10.5</td>
</tr>
<tr>
<td>Iceland</td>
<td>6.7</td>
<td>3.6</td>
</tr>
<tr>
<td>Germany</td>
<td>10.5</td>
<td>46.7</td>
</tr>
<tr>
<td>France</td>
<td>7.6</td>
<td>23.1</td>
</tr>
<tr>
<td>Denmark</td>
<td>8.2</td>
<td>20.8</td>
</tr>
<tr>
<td>Canada</td>
<td>22.2</td>
<td>31.6</td>
</tr>
<tr>
<td>Australia</td>
<td>3.6</td>
<td>97.7</td>
</tr>
</tbody>
</table>


Health Care Systems Review:
**Access to Care (2010)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Waited two months or more for specialist appointment</th>
<th>Able to get same- or next-day appointment when sick</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>9%</td>
<td>57%</td>
</tr>
<tr>
<td>U.K.</td>
<td>19%</td>
<td>70%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>5%</td>
<td>31%</td>
</tr>
<tr>
<td>Sweden</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Norway</td>
<td>16%</td>
<td>34%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>22%</td>
<td>45%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>16%</td>
<td>41%</td>
</tr>
<tr>
<td>Germany</td>
<td>16%</td>
<td>43%</td>
</tr>
<tr>
<td>France</td>
<td>28%</td>
<td>45%</td>
</tr>
<tr>
<td>Canada</td>
<td>28%</td>
<td>43%</td>
</tr>
<tr>
<td>Australia</td>
<td>28%</td>
<td>65%</td>
</tr>
</tbody>
</table>


U.S. Health Care Spending
U.S. Distribution of National Health Expenditures, by Type of Service (in Billions), 2010

- Physician/ Clinical Services, $512.5 (19.9%)
- Prescription Drugs, $259.1 (10.0%)
- Other Personal Health Care, $384.2 (14.8%)
- Home Health Care, $70.2 (2.7%)
- Nursing Care Facilities & Continuing Care Retirement Communities, $143.1 (5.5%)
- Other Health Spending, $407.6 (15.7%)
- Hospital Care, $814.0 (31.4%)


U.S. Annual Average Percent in Consumer Price Index, 1936-2008

5% of the U.S. Population Accounts for 50% of Health Care Spending

Percent of U.S. Population Accounting for Percent of U.S. Health Care Spending


U.S. Distribution of Average Spending Per Person, 2009

<table>
<thead>
<tr>
<th>Age (in years)</th>
<th>Average Spending Per Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5</td>
<td>$2,468</td>
</tr>
<tr>
<td>5-17</td>
<td>$1,695</td>
</tr>
<tr>
<td>18-24</td>
<td>$1,834</td>
</tr>
<tr>
<td>25-44</td>
<td>$2,739</td>
</tr>
<tr>
<td>45-64</td>
<td>$5,511</td>
</tr>
<tr>
<td>65 or Older</td>
<td>$9,744</td>
</tr>
</tbody>
</table>

Sex

<table>
<thead>
<tr>
<th>Sex</th>
<th>Average Spending Per Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>$3,559</td>
</tr>
<tr>
<td>Female</td>
<td>$4,635</td>
</tr>
</tbody>
</table>

Health Care Cost Drivers

A 2012 Report by the Bipartisan Policy Center listed 13 primary cost drivers:

- Fee-for-service reimbursement;
- Fragmentation in care delivery;
- Administrative burden on providers, payers and patients;
- Population aging, rising rates of chronic disease and co-morbidities, as well as lifestyle factors and personal health choices;
- Advances in medical technology;
- Tax treatment of health insurance;
- Insurance benefit design;

Source: Bipartisan Policy Center, What is Driving Health Care Spending, September 2012.
Health Care Cost Drivers (Cont’d)

- Lack of transparency about cost and quality, compounded by limited data, to inform consumer choice;
- Cultural biases that influence care utilization;
- Changing trends in health care market consolidation and competition for providers and insurers;
- High unit prices of medical services;
- The health care legal and regulatory environment, including current medical malpractice and fraud and abuse laws; and
- Structure and supply of the health professional workforce, including scope of practice restrictions, trends in clinical specialization, and patient access to providers.

Source: Bipartisan Policy Center, What is Driving Health Care Spending, September 2012.

Disease Prevalence Had No Net Impact on Health Care Spending Growth 1996-2006

Decomposition of Real Per Capita Health Spending: 1996-2006

Factors Accounting for Growth in U.S. Health Care Costs

Average Annual % Change

2000-06 2007-09 2010

National Health Care Costs
Medical Prices
Population
Use and Intensity


JAMA Study: One-third of U.S. Medical Care Spending Is Wasted

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor care delivery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unnecessary services</td>
<td>$192 billion</td>
<td>7%</td>
</tr>
<tr>
<td>Failures of care delivery</td>
<td>$120 billion</td>
<td>6%</td>
</tr>
<tr>
<td>Failures of care coordination</td>
<td>$35 billion</td>
<td>1%</td>
</tr>
<tr>
<td>Excessive prices</td>
<td>$248 billion</td>
<td>9%</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>$131 billion</td>
<td>5%</td>
</tr>
<tr>
<td>Fraud and abuse</td>
<td>$177 billion</td>
<td>7%</td>
</tr>
<tr>
<td>Total (per year)</td>
<td>$910 billion</td>
<td>34%</td>
</tr>
</tbody>
</table>

Current Slowdown in Health Costs' Rise ...

- U.S. health care spending grew at only 3.9% annually between 2009-2011
  - Lowest health care growth rate in 50 years

- Recent studies suggest several factors contributed to the slowdown, but disagree to the extent of each
  - 77% of changes are a result of the broader economy (Kaiser Family Foundation)
  - 37% of health care slowdown due to recession (Cutler)
  - 20% due to rising out-of-pocket payments (Chernew)
  - Less rapid development of medical treatment


2nd Study Presentation (October)

- Review of policies that help control health care costs while maintaining quality of care,
- Review approaches undertaken in other states and countries to control health care costs,
- Examine PPACA impact on the cost of health care, and
- Additional Issues requested by members.
Areas to Be Reviewed

- State, country and market approaches to control health care costs through:
  - Better health care outcomes
  - Value-based health care purchasing
  - Health care delivery design
  - Health care payment design
  - Health care oversight design
  - Transparency
- Avenues to encourage competition in the health care market
- Patient Protection and Affordable Care Act impacts on health care costs

Appendix: International Health Care Price Comparisons
2012 Scanning and Imaging: CT Scan, Head


2012 Cost Per Hospital Day

2012 Total Hospital and Physician Cost: Normal Delivery


2012 Physician Fees: Routine Office Visit

2012 Drugs: Cymbalta

Cymbalta is commonly prescribed for depression, anxiety, and fibromyalgia.